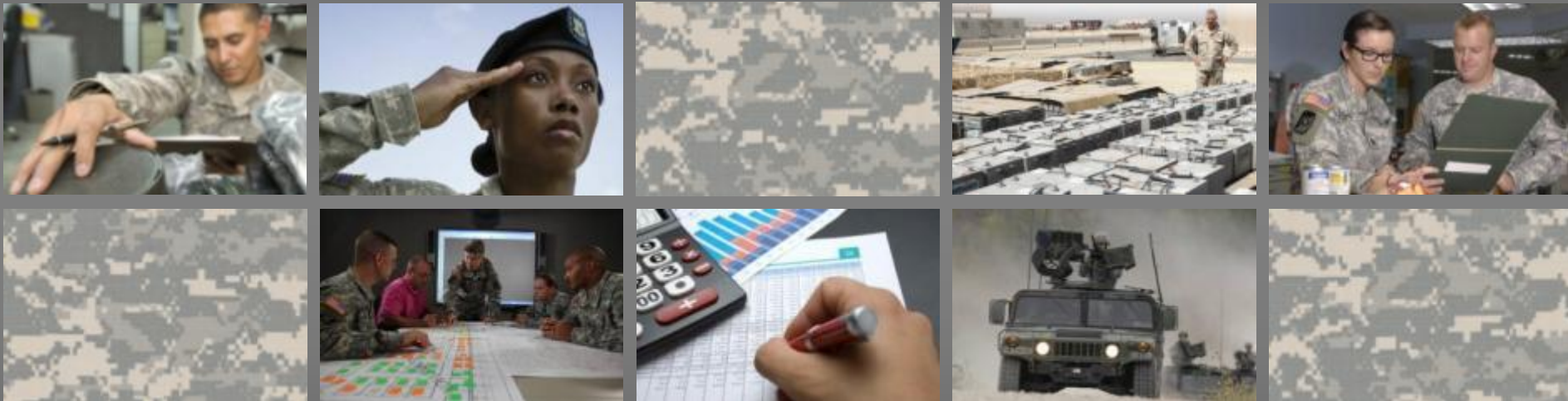# 4th Quarter FY 2012
Army FIP
In-Process Review

October 25, 2012
Holiday Inn National Airport

Office of the Assistant Secretary of the Army
(Financial Management & Comptroller) (OASA(FM&C))

Accountability & Audit Readiness:
Sustaining Army's Strength

Agenda

| Time	Agenda Item
0800 – 0845	Introductions & Expectations
0845 – 1000	Fourth Quarter News
1000 – 1015	Break
1015 – 1115	Testing Efforts
1115 – 1230	Lunch
1230 – 1300	SBR Update
1300 – 1330	E&C Update
1330 – 1345	Break
1345 – 1500	Command Updates
1500 – 1515	Break
1515 – 1530	Training and Communications Updates
1530 – 1600	Open Discussion & Closing Remarks
1600	Adjourn

Fourth Quarter Update

Congressional Hearings
Audit Committee
Secretary of the Army Memo

September 14: Assistant Secretary of the Army (Financial Management & Comptroller) Dr. Mary Sally Matiella testified at the House Armed Services Subcommittee on Oversight and Investigations hearing on "Department of Defense Auditability Challenges."

- The November 2012 FIAR Plan Status Report to Congress was distributed for review and comment in early October.
- DoD will release the final version in November.

http://comptroller.defense.gov/FIAR/
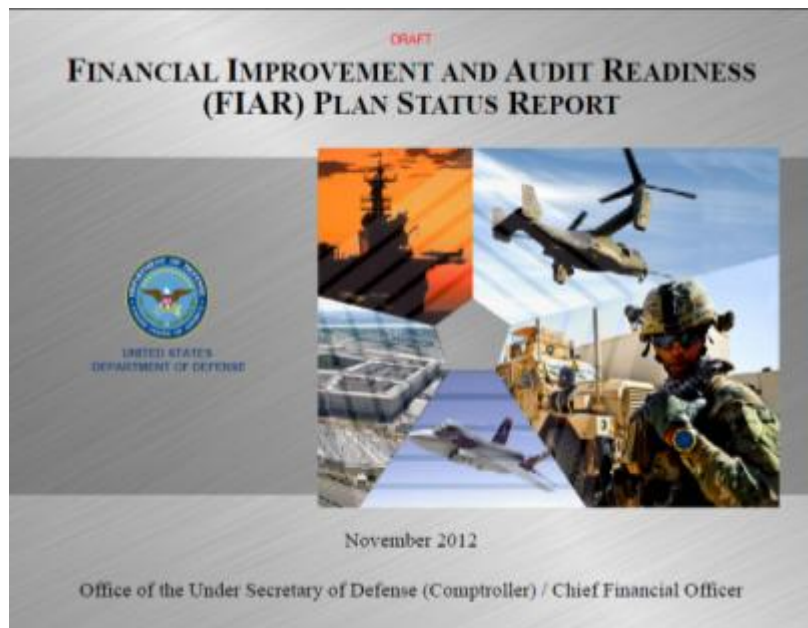
Your audit readiness status and input feeds into materials that reach:

Congress

- FIAR Plan Status Report
- Testimony

Army Leaders

- Army Audit Committee
- Leadership briefings to SA, USA, CSA, VCSA, General Officers

DoD Leaders

- DMAG
- FIAR Governance Board
- FIAR Committee
- FIAR Subcommittee

Army Audit Readiness Milestones – DMAG

Milestone	Tested	Corrected	Validated Ready
IT Systems Testing and correcting systems to meet GAO audit manual criteria			
GFEBS (ERP) [general ledger – financial transaction detail]	✓	✓	12/31/12
GCSS-Army (ERP) [general ledger /logistics– financial transaction detail]	✓	12/31/12	12/31/13
LMP (ERP) [general ledger /logistics– financial transaction detail]	12/31/12	6/30/13	12/31/13
Statement of Budgetary Resources Testing and correcting controls and documentation to meet FIAR Guidance criteria			
GF SBR Exam #2 - GFEBS Wave 1&2 Sites (9 installations / 18 resource management offices and DFAS; 9 processes and GFEBS controls)	✓	✓	12/31/12
Processes: Funds Receipt, Distribution, & Monitoring (ABO/HQs); Reimb. In-bound & out-bound; TDY-DTS; Contracts-SPS; Civilian Pay; Misc. Payments; Government Purchase Cards; Supply Requisitions; Financial Reporting	✓	✓	12/31/12
Automated FBWT Reconciliation Tool **(no assertion/audit for GF Recon process)**	1/31/13	N/A	N/A
GF SBR Exam #3 - All Army GF Activity at all GFEBS locations (Exam 2 processes plus MOCAS, GCSS-Army)	12/31/12	6/30/13	12/31/13
GF SBR Assertion / Audit - All Army GF Activity (Exam 3 processes plus MILPAY)	3/31/13	6/30/14	9/30/14
FBWT	2/15/13	6/30/14	9/30/14
Asset Existence and Completeness Testing and correcting controls and records to meet FIAR Guidance criteria			
OM&S – Javelin, Hellfire, TOW missiles (16% of FY 2011 OM&S Value)	✓	✓	12/31/12
Real Property – 20 Installations	✓	12/31/12	6/30/13
Military Equipment, General Equipment, OM&S – All assets	✓	12/31/13	6/30/14
Real Property – All installations	3/31/13	9/30/14	3/31/15
Training and Change Management-Continuous	Began Army-wide in Q2 FY 2011		

Milestone	Responsible Party	Start Date	Complete Date
Verify using Independent Auditor			
GF SBR Exam #1 - GFEBS Wave 1 Sites (5 processes)	FM&C	✓	✓
GF SBR Exam #2 - GFEBS Wave 1&2 Sites (9 processes, GFEBS, DFAS)	FM&C	✓	12/31/12
GF SBR Exam #3 - All Army GF Activity in GFEBS (11 processes, GCSS-A)	FM&C	7/1/13	12/31/13
E&C of OM&S "Quick Wins" (Javelin, Hellfire, TOW Missiles)	FM&C	✓	12/31/12
E&C of Real Property at 20 Installations	FM&C	1/1/13	6/30/13
E&C of Military Equipment, General Equipment, & all OM&S	FM&C	1/1/14	6/30/14
E&C of all Real Property	FM&C	10/1/14	3/31/15
Verify using Army Audit Agency			
FFMIA Compliance of GFEBS	FM&C	✓	✓
FFMIA Compliance of GCSS-A	FM&C	✓	✓
FFMIA Compliance of LMP	FM&C	✓	9/30/13
Verify using OUSD(C)			
Audit goals in all SES performance plans	FM&C	✓	✓

June 2012, two major milestones reached:

- Statement of Budgetary Resources (SBR) Exam 2 Assertion.

- Existence & Completeness (E&C) Operating Materials & Supplies (OM&S) "Quick Win" Assets Assertion.

- **Scope:**
  - Nine business processes at 10 GFEBS Waves 1 & 2 installations.
  - DFAS processes.
  - GFEBS IT general and application controls.

- **OUSD(C) conducted final reviews of assertion package documentation.**

- **Examination by KPMG, the same firm that conducted Exam 1 in 2011:**
  - Entrance briefing Aug 9.
  - Draft results Feb 2013.
  - Final report Apr 2013.

Installations

- Ft. Benning IMCOM and TRADOC
- Ft. Jackson IMCOM and TRADOC
- Ft. Stewart IMCOM and FORSCOM
- Ft. Bragg IMCOM and FORSCOM
- Ft . Campbell IMCOM and FORSCOM
- Ft. Drum IMCOM and FORSCOM
- Ft. Gordon IMCOM and TRADOC
- Ft. Knox IMCOM
- Ft. Polk IMCOM and FORSCOM
- Ft. Rucker IMCOM and TRADOC

Business Processes

- Funds Receipt, Distribution, and Monitoring
- Contracts
- TDY Travel in DTS
- Inbound/Outbound Reimbursable Transactions (MIPRs)
- Civilian Payroll
- Miscellaneous Payments
- Purchase Card Transactions
- Supply Requisition

Exam 2 Updates

- Exam 2 is expected to be completed by March 2013.

- KPMG is visiting Wave 1 and 2 installations to perform Tests of Design. Completed site visits include:
  - Ft. Sam Houston (IMCOM HQ)
  - Ft. Bragg
  - Ft. Eustis (TRADOC HQ)
  - Ft. Rucker
  - ABO

- Walkthroughs at GFEBS PMO are on-going.

- Tests of Operating Effectiveness is expected to begin in December 2012.

- No findings to date.

- Javelin, Hellfire, and Tube-launched Optically-tracked Wire-guided (TOW) missiles.

- OUSD(C) concurred with assertion in June.

- DoD Inspector General (IG) has been reviewing assertion package.
  - Entrance brief scheduled for October 29.
  - Field work to be scheduled.

Javelin

Hellfire

TOW
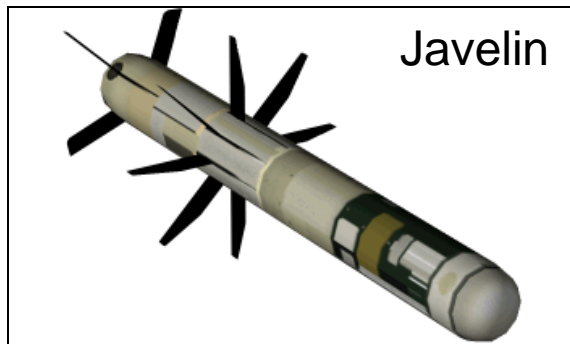
- Since 1996, the Army Audit Committee was a DASA-level governance forum to address auditability challenges.

- Beginning Q1 2013, the Committee will be chaired by the ASA(FM&C).

- Representatives of the Committee will now be ASA- and DCS-level.

- Next meeting tentatively scheduled for November 29. Invitations, agenda, and slides forthcoming.

Voting Members:

- ASA(M&RA)
- ASA(IE&E)
- ASA(ALT)
- ASA(Civil Works)
- CIO/G6
- Deputy Chief Management Officer
- Director, Army Office of Business Transformation
- DCS, G1
- DCS, G3/5/7
- DCS, G4
- DCS, G8
- Chief of Engineers
- DCS, G2
- Assistant Chief of Staff for Installation Management

Non-voting Members:

- Commander, AMC
- Commander, FORSCOM
- Commander, TRADOC
- Chief, Army Reserve
- Chief, National Guard Bureau
- Army Auditor General
- Inspector General (Army)
- Director, OUSD(C) Financial Improvement and Audit Readiness
- Director, DFAS-IN
- Principal Deputy Inspector General (Department of Defense)
- Assistant Secretary of the Navy (Financial Management & Comptroller)
- Assistant Secretary of the Air Force (Financial Management & Comptroller)

- Memo distributed September 20.

- Requires completion of the Commanders' Audit Readiness Checklist by December 14.

- Checklist updated and FAQs released to facilitate its completion.

- Q&A calls occurring in October, November, and December.

Next Q&A Calls:
Wednesday, October 31, 1300
Tuesday, November 6, 1600
Call-in: 1-888-426-6840, Code: 9316894#

Testing

Monthly Internal Controls Testing

- Monthly internal controls testing simulates what sites will experience during an actual financial statement audit.

- When transactions are randomly selected for testing, the functional or IR will need to provide supporting documentation demonstrating that internal controls are in place and operating effectively (e.g., demonstrate a review was done by providing documentation with a signature and date).

- In addition, for E&C testing, the functional or IR will need to provide supporting documentation asserting that sampled assets recorded in the accountable property system of record (APSR), Property Book Unit Supply – Enhanced (PBUSE), exist (Existence) or are recorded in PBUSE (Completeness).
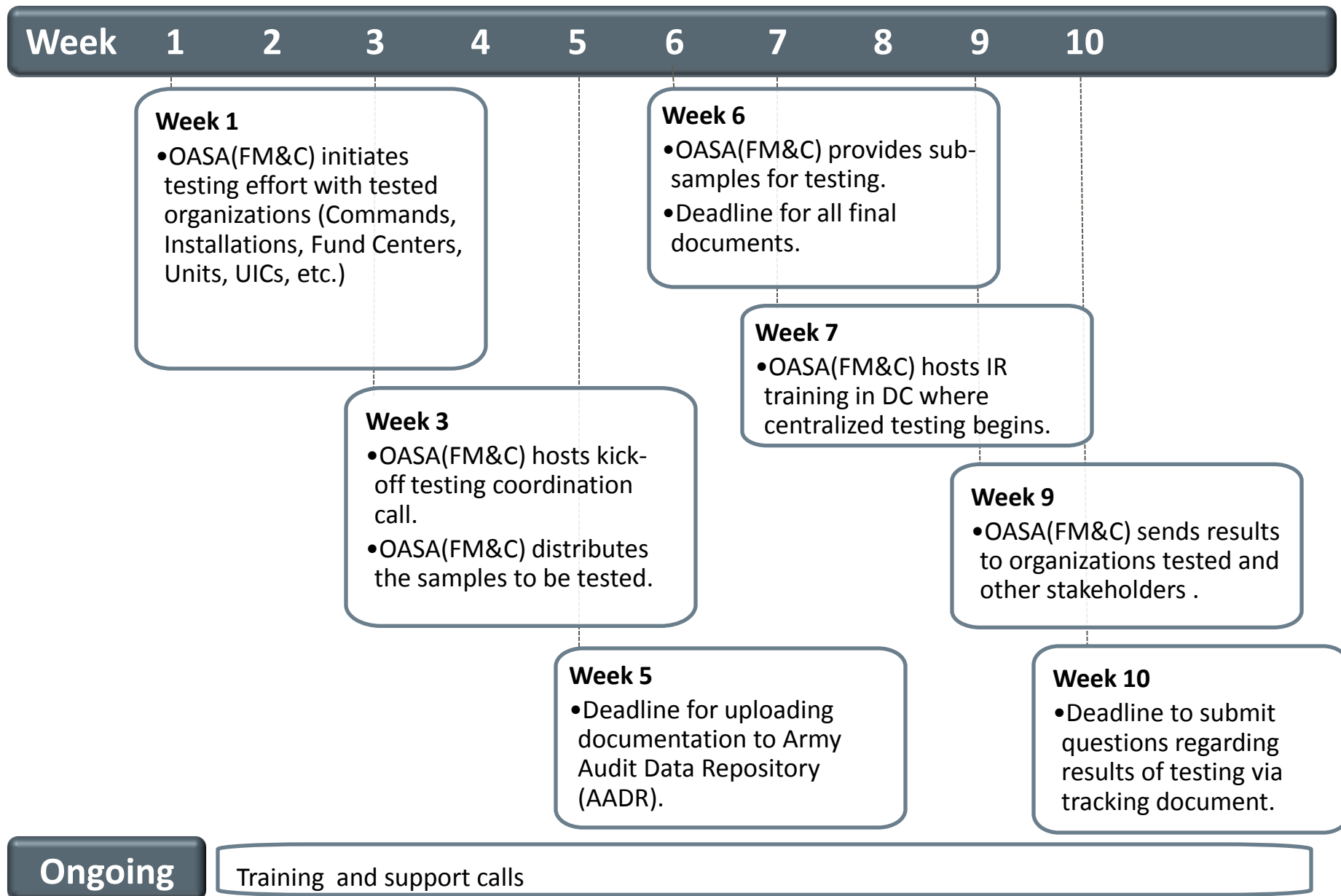
Sample Sizes and Pass/Fail Determination

Sample sizes are based on the frequency of a control activity per Appendix D of the Office of the Under Secretary of Defense (Comptroller)'s Financial Improvement and Audit Readiness Guidance (December 2011).

Frequency of Control Activity	Example	Annual Population Size	Total Sample Size	Allowable Deviations
Annual	Review and update SOPs.	1	1	0
Quarterly	Review quarterly financial reports.	4	2	0
Monthly	Perform cyclic inventories of assets.	12	3	0
Multiple Times per Day	Review and approve transactions in PBUSE.	250+	45	5

Number of allowable deviations is the number most likely to be used by an auditor to determine if a control has passed when performing an annual audit.

SBR Testing Cycle and Timeline

Week	1	2	3	4	5	6	7	8	9	10

Week 1
- OASA(FM&C) initiates testing effort with tested organizations (Commands, Installations, Fund Centers, Units, UICs, etc.)

Week 3
- OASA(FM&C) hosts kick-off testing coordination call.
- OASA(FM&C) distributes the samples to be tested.

Week 5
- Deadline for uploading documentation to Army Audit Data Repository (AADR).

Week 6
- OASA(FM&C) provides sub-samples for testing.
- Deadline for all final documents.

Week 7
- OASA(FM&C) hosts IR training in DC where centralized testing begins.

Week 9
- OASA(FM&C) sends results to organizations tested and other stakeholders .

Week 10
- Deadline to submit questions regarding results of testing via tracking document.

Ongoing Training and support calls

SBR Internal Control Testing Results – Cumulative as of Sept 2012

Command	All Army		Contracts		Reimb. - Inbound		Reimb. - Outbound	
	# of Samples Passed	# of Samples Failed	# of Samples Passed	# of Samples Failed	# of Samples Passed	# of Samples Failed	# of Samples Passed	# of Samples Failed
AMC/MICC	0	6	1	18	2	9	0	21
ATEC	0	1	0	0	0	0	0	0
FORSCOM	6	9	11	57	2	12	26	33
IMCOM	6	25	82	160	37	173	96	113
TRADOC	14	10	9	44	45	37	24	45
US ARMY NORTH	0	0	2	5	0	16	12	3
US ARMY SOUTH	13	2	4	29	2	2	3	3
USAASC	0	1	0	0	0	0	0	6
USARC	28	42	77	278	7	26	36	51
USCYBERCOM/ NETCOM	0	7	6	37	40	32	9	2
USMA	1	0	0	0	1	2	0	3
Total Samples	**68**	**103**	**140**	**628**	**136**	**309**	**206**	**280**

Command	TDY		Civilian Pay		GPC		Misc Pay		Supply	
	# of Samples Passed	# of Samples Failed	# of Samples Passed	# of Samples Failed	# of Samples Passed	# of Samples Failed	# of Samples Failed	# of Samples Failed	# of Samples Passed	# of Samples Failed
AMC/MICC	2	2	0	1	2	24	0	0	0	18
ATEC	0	0	0	0	0	0	0	0	0	0
FORSCOM	71	49	43	22	5	69	2	12	51	66
IMCOM	7	11	3	22	26	79	39	109	20	24
TRADOC	18	25	3	14	19	29	2	18	13	9
US ARMY NORTH	4	9	3	5	5	12	0	0	0	0
US ARMY SOUTH	2	0	4	32	1	13	0	2	3	1
USAASC	1	2	1	1	0	0	0	0	0	1
USARC	109	98	19	9	93	161	0	0	65	167
USCYBERCOM / NETCOM	0	6	0	20	1	13	0	8	0	5
USMA	2	11	0	1	0	6	0	6	0	0
Total Samples	**216**	**213**	**76**	**127**	**152**	**406**	**43**	**155**	**152**	**291**

SBR Observations/Issues and Recommendations

	Description	Recommended Action
1	**Evidence of Review** A number of documents are not being signed and dated as evidence of review (e.g., daily Status of Funds report, reconciliation worksheets, IDOC reports).	Ensure that all control owners understand which controls require evidence of review and the acceptable methods for evidencing review. For example: – Digital signature (preferred method) – Email to file – Control checklist – Hard copy signature
2	**Access to Screen Shots in GFEBS** Sites continue to have difficulty in providing GFEBS screen shots required to test the control. Examples of the types screen shots include but are not limited to: – L1 Approval – L4 Approval – L5 Approval	Reference Part II of the SBR Audit Support Handbook, which provides step by step instructions for obtaining GFEBS screen shots required for testing.

	Description	Recommended Action
3	**Quality of Command Corrective Action Efforts** The results of controls testing indicate that there has not been significant improvement in the internal control environment. Sites had approximately 120 days to implement internal controls after training. Based on the high percentage of failed samples, it does not appear that the current command corrective action efforts are effective.	Corrective actions need to be implemented from the top down. Command leadership needs to ensure that business process/control owners are actively engaged in the implementation of internal controls. Business process owners need to also take full advantage of the available audit readiness resources (e.g., internal control office hours, Audit Support Handbook, and training).
4	**Documentation** Installations and commands cannot provide the requested documentation.	Installation and command staff must understand the required documentation to maintain and how to retrieve it. Staff should review the Army SBR Handbook and take the appropriate audit readiness business process training.

- Business process owners should prioritize the implementation of all internal controls.

- Commands should prepare for follow-up testing, which is targeted for October/November 2012.

- Business process owners should stay abreast of updates to audit readiness resources by reviewing the tools on AKO and by communicating with their local IR POC.

ME/GE E&C Substantive and Internal Controls Testing Cycle

October	November	December
Week 1 – 2 – 3 – 4	1 – 2 – 3 – 4	1 – 2 – 3 – 4

October Week 1 & 2
- October sample released near Oct 1 ⭐
- Field performs substantive tests and internal controls tests
- Results uploaded to AADR

November Week 1 & 2
- November sample released near Nov 1 ⭐
- Field performs substantive tests and internal controls tests
- Results uploaded to AADR

December Week 1 & 2
- December sample released near Dec 1 ⭐
- Field performs substantive tests and internal controls tests
- Results uploaded to AADR

October Week 3 & 4
- OASA(FM&C) reviews results provided by the field and updates scorecard
- Scorecard results released
- OASA(FM&C) finalizes November sample

November Week 3 & 4
- OASA(FM&C) reviews results provided by the field and updates scorecard
- Scorecard results released
- OASA(FM&C) finalizes December sample

December Week 3 & 4
- OASA(FM&C) reviews results provided by the field and updates scorecard
- Scorecard results released
- OASA(FM&C) finalizes January sample

Ongoing

E&C Training (Field level and computer based)	**Support Calls** (Twice per week)	**Monitor Corrective Actions**

- The number of controls tested for each Command will vary.

- Failure was determined by the total number of exceptions Army-wide (see next slide).

- Detailed reasons for exceptions/failures provided to Commanders and local IR staff organized by Command, testing area, and sample.

- Corrective action efforts must be broader than the control failures noted and designed to ensure all controls are implemented/effective.

E&C Testing Guidlines

Substantive / Internal Control	Frequency	Annual Population Size	Total Sample Size	Allowable Deviations
Substantive – Existence	N/A*	260,288	845	17
Substantive – Completeness	N/A**	743	45	5
Internal Controls – SOP (1.01/2.01)	Annual	743	1	0
Internal Controls – Warehouse (1.04/2.04)	Annual	298	1	0
Internal Controls – Physical Inventory (1.05/2.05)	Monthly	743	3	0
Internal Controls – Acceptance / Transfer (1.06/2.06)	Multiple Times per Day	8,180	45	5
Internal Controls – Quality Assurance (1.08/2.08)	Annual***	743	1	0

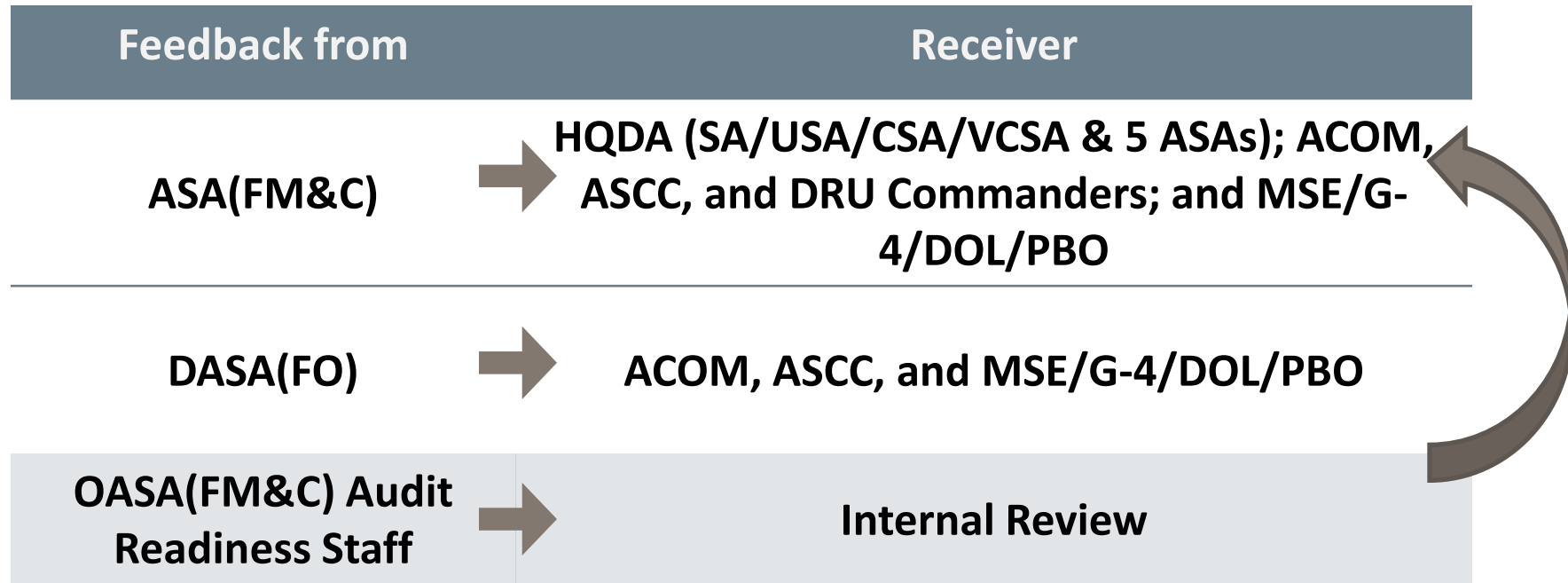*Sample size determined by population of ME/GE capital assets Army-wide.

** Sample size determined by FIAR Guidance.

***CSDP inspection frequency varies by command.

	Issue Description	Recommended Action
1	**Documentation** Installations and commands did not provide the requested documentation.	Installation and command staff must understand the required documentation to maintain and how to retrieve it. Document retention policies should be updated or implemented to ensure documents supporting asset records is maintained for minimum time requirements.
2	**Evidence of Review** A number of documents were not signed and dated to evidence review (e.g., hand receipt, transaction forms).	Ensure that all control owners understand which controls require evidence of review and ensure that supporting documentation is filled out accurately, completely, and signed by authorized personnel.

Information Flow for Test Results

Feedback from	Receiver
ASA(FM&C)	HQDA (SA/USA/CSA/VCSA & 5 ASAs); ACOM, ASCC, and DRU Commanders; and MSE/G-4/DOL/PBO
DASA(FO)	ACOM, ASCC, and MSE/G-4/DOL/PBO
OASA(FM&C) Audit Readiness Staff	Internal Review

This approach:
- Streamlines the information flow.
- Drives top-level engagement and accountability.
- Keeps MSE/G-4/DOL/PBO and IR informed of all audit readiness activities.

SBR Update

Overview
Exam 2 Updates
Substantive Testing

Statement of Budgetary Resources (SBR)

The SBR provides information on how budgetary resources were made available and how they were executed.

Completed:

- Received unqualified audit opinion on Appropriations Received in August 2011.

- Received qualified audit opinion on GFEBS Wave 1 installations in November 2011.

- Asserted audit readiness for GFEBS Wave 1 and 2 sites in June 2012.

- Facilitated training for all USARC fund centers.

- Completed centralized testing for several Army fund centers.

Underway:

- Exam 2 for Wave 1 and 2 sites.

- Centralized testing for ARNG.

- Kick off substantive testing across the Army.

- Re-alignment of SBR control catalog.

- Facilitation of training for GFEBS Wave 8a and 8b.

SBR sections:
- Budgetary Resources Received
- Status of Budgetary Resources
- Change in Obligated Balance
- Outlays

Processes:
- Funds Receipt, Distribution, and Monitoring
- Contracts
- TDY Travel
- PCS Travel
- Reimbursable Transactions (MIPRs)
- Civilian Payroll
- Military Payroll
- Miscellaneous Payments
- Purchase Card Transactions
- Supply Requisition
- Other

SBR Substantive Testing

- Substantive testing verifies the accuracy of balances:
  - Test of Details
  - Analytical Procedures

- All Army fund centers will be subject, on a sample basis, to testing for the following line items:
  - Appropriations Received
  - Spending Authority From Offsetting Collections
  - Permanently Not Available
  - Obligations Incurred'
  - Outlays
  - Offsetting Collections
  - Offsetting Receipts

- Substantive will be coordinated through the IR at the ACOM, ASCC, and DRU HQs.

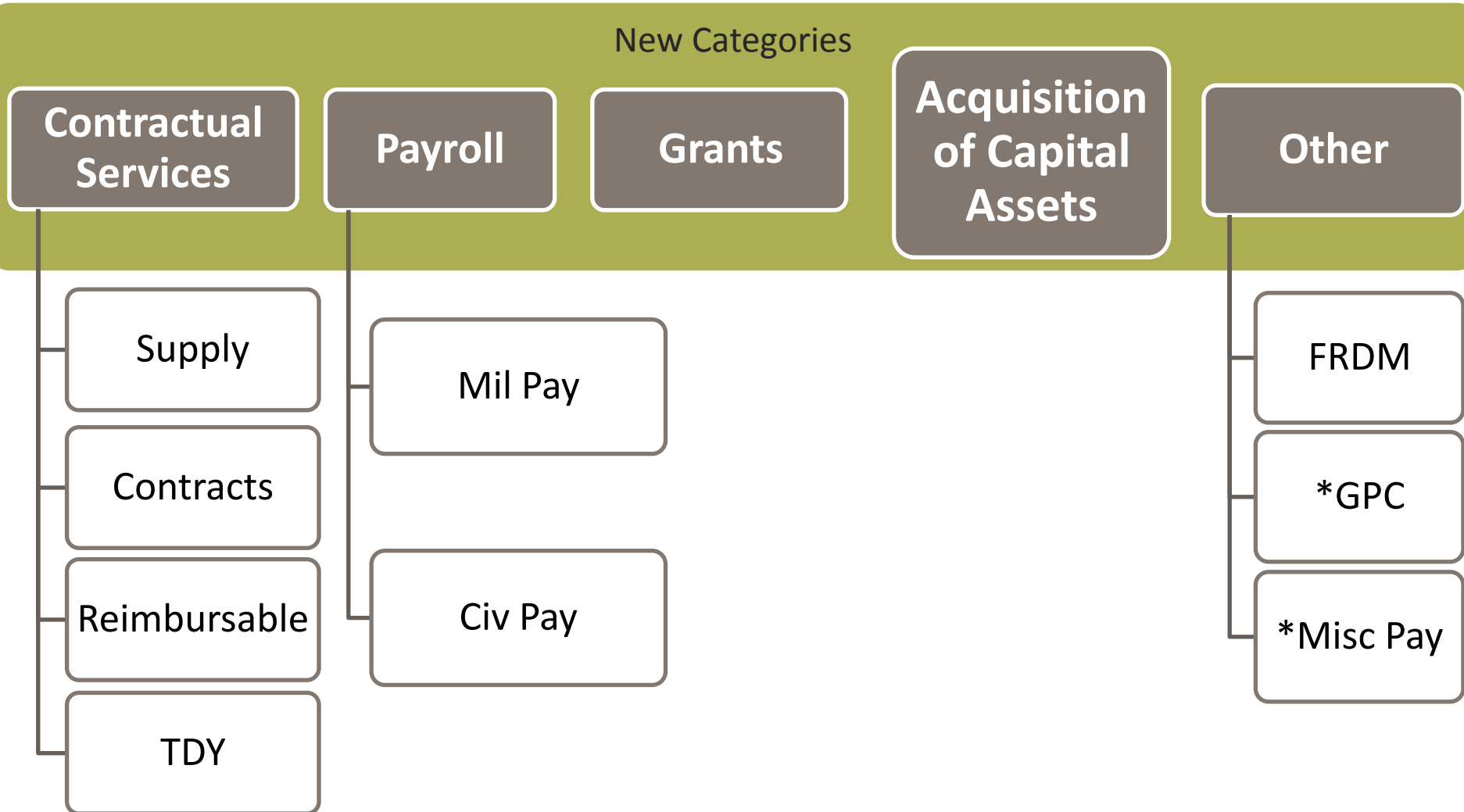- Coordination for substantive testing will begin in Q1 of FY 2013.

In late Q1 or early Q2 the SBR Control Catalogs will have streamlined categories and new numbering.

- Processes will be re-categorized into five areas based on GFEBS data elements (e.g. commitment item, element of resource, etc.):
  - Contractual Services
  - Payroll
  - Grants
  - Acquisition of Capital Assets
  - Other
- This effort to streamline allows for fewer total controls across five categories.
- Realignment will NOT affect how controls are executed.

New Categories

Contractual Services	Payroll	Grants	Acquisition of Capital Assets	Other

- Supply
- Contracts
- Reimbursable
- TDY

- Mil Pay
- Civ Pay

- FRDM
- *GPC
- *Misc Pay

*These current processes are disbursement vehicles and are captured across multiple Assessable Units. Both business processes will fall under Contractual Services in the near future.

E&C Update

Making and Measuring Progress
Way Ahead

E&C verifies existence (book to floor) and completeness (floor to book) of mission critical assets.

Completed: Initial site visits at 60+ locations (i.e., installations, arsenals, depots, ammunition plants, program management offices).

On-Track: OM&S E&C assertion for three missile programs (Javelin, Hellfire, and TOW) on schedule for June 2012.

Underway:

- Reviewing and testing controls each month.
- Enforcing and implementing effective quality control review programs such as the Command Supply Discipline Program (CSDP).
- Modified the financial reporting process to use accountable property systems of record (APSR) (GFEBS for RP; PBUSE for ME and GE; LMP and WARS for OM&S) data on financial statements.

Current asset categories:
- Military Equipment (ME)
- General Equipment (GE)
- Inventory
- Operating Materials and Supplies (OM&S)
- Real Property (RP)

ME/GE E&C Monthly Testing Summary

- Monthly substantive testing and internal controls testing simulates what sites will experience during an actual financial statement audit.

- Random sampling across all Army commands and organizations maintaining accountability of mission critical assets.

- When units/organizations are randomly selected for testing, the IR and functional offices will need to demonstrate assets exist, property records are complete, and proper internal controls are in place.

- Testing instructions have been developed for all tests to be performed.

- Test results will be loaded and stored on the Army Audit Data Repository (AADR).

ME/GE E&C Substantive Testing and Internal Controls Testing					
Test	ME/GE E&C Test	Sample Size	Test Performed By	Uploaded to AADR By	Results Validated By
Substantive	Existence of Assets	~850	IR or Functional	IR	OASA(FM&C)
Substantive	Completeness of Asset Records	~45	IR	IR	OASA(FM&C)
Internal Controls	SOP	1	IR or Functional	IR	OASA(FM&C)
Internal Controls	System Access	~45	PM PBUSE	IR	OASA(FM&C)
Internal Controls	Warehouse Security	1	IR or Functional	IR	OASA(FM&C)
Internal Controls	Physical Inventory	3	IR or Functional	IR	OASA(FM&C)
Internal Controls	Acceptance/Transfer of Equipment	~45	IR or Functional	IR	OASA(FM&C)
Internal Controls	Disposal of Equipment	~45	DRMO	IR	OASA(FM&C)
Internal Controls	Quality Assurance Reviews	1	IR or Functional	IR	OASA(FM&C)

Command	Substantive		Internal Controls				
	Existence	Complete-ness	SOP	Warehs Security	Physical Inventory	Acceptance / Transfer	QA Review
AMC	18	--	--	--	--	--	--
ARCENT	2	--	--	--	--	--	--
ARNG	299	22	1	--	--	16	--
ATEC	7	--	--	--	--	--	--
EUSA	2	--	--	--	--	--	--
FOAS	3	--	--	--	--	--	--
FORSCOM	253	11	--	1	2	12	--
IMCOM	16	--	--	--	--	--	--
INSCOM	3	--	--	--	--	1	--
JT	1	--	--	--	--	--	--
MDW	1	--	--	--	--	--	--
NETCOM	2	--	--	--	--	--	--
NULL	8	--	--	--	--	1	--
TRADOC	29	2	--	--	--	2	--
USAASC	53	1	--	--	--	5	--
USARC	80	4	--	--	1	3	1
USAREUR	17	2	--	--	--	1	--
USARPAC	39	3	--	--	--	4	--
TOTAL	833	45	1	1	3	45	1

Documentation status as of: Oct. 18, 2012

Command	Substantive				Internal Controls									
	Existence		Complete-ness		SOP		Warehouse Security		Physical Inventory		Acceptance / Transfer		QA Review	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
AMC	18	0	--	--	--	--	--	--	--	--	--	--	--	--
ARCENT	0	2	--	--	--	--	--	--	--	--	--	--	--	--
ARNG	261	38	20	2	1	0	--	--	--	--	15	1	--	--
ATEC	6	1	--	--	--	--	--	--	--	--	--	--	--	--
EUSA	0	2	--	--	--	--	--	--	--	--	--	--	--	--
FOAS	2	1	--	--	--	--	--	--	--	--	--	--	--	--
FORSCOM	196	57	10	1	--	--	1	0	2	0	11	1	--	--
IMCOM	11	5	--	--	--	--	--	--	--	--	--	--	--	--
INSCOM	3	0	--	--	--	--	--	--	--	--	1	0	--	--
JT	0	1	--	--	--	--	--	--	--	--	--	--	--	--
MDW	0	1	--	--	--	--	--	--	--	--	--	--	--	--
NETCOM	2	0	--	--	--	--	--	--	--	--	--	--	--	--
NULL	4	4	--	--	--	--	--	--	--	--	0	1	--	--
TRADOC	29	0	1	1	--	--	--	--	--	--	2	0	--	--
USAASC	10	43	0	1	--	--	--	--	--	--	1	4	--	--
USARC	79	1	4	0	--	--	--	--	1	0	3	0	1	0
USAREUR	5	12	1	1	--	--	--	--	--	--	0	1	--	--
USARPAC	25	14	2	1	--	--	--	--	--	--	1	3	--	--
TOTAL	651	182	38	7	1	0	1	0	3	0	34	11	1	0

Documentation status as of: Oct. 18, 2012

- ## OM&S:

  - Support DoD IG E&C examination of Javelin, Hellfire, and TOW missiles.

  - Support corrective action implementation.

  - Initiate monthly testing early in FY 2013.

  - Start preparing for December 2013 E&C assertion of all OM&S.

- ## ME/GE:

  - Initiate controls testing with program managers.

  - Review ME/GE data from various sources and systems (MEV, PBUSE, AWRDS, TS-MATS, and DPAS).

  - Support corrective action implementation.

  - Start preparing for December 2013 E&C assertion of all ME and GE.

- ## RP:
  - Finalize E&C assertion package of 23 installations for December 31, 2012 assertion.
  - Support corrective action implementation.
  - Initiate monthly testing early in FY 2013.
  - Expand discovery, testing, and corrective action to all locations & assets.

- ## EL:
  - Continue audit readiness site visits.
  - Review supporting document for cost-to-complete estimates.
  - Support corrective action implementation.
  - Identify needs and prepare for assertions in FY2013.

Command Updates

Accomplishments:

- Completed transition from IFS to GFEBS (September 2012).

In progress:

- Establishing Command Guidance.
  - Focus: Attestation Memos, FIAR Data Elements and Audit Readiness.
- GFEBS Capability Review.

Next steps:

- Updating Audit Readiness Handbook.
- Quarterly "Azimuth" Checks.

Challenges:

- Ensuring GFEBS supports real property business processes and requirements.

Audit Readiness In Progress Review

- **People:**
  - Refining Commander's Checklist to Focus Oversight
  - Reevaluating Individual Development Plans to ensure Soldiers/Employees Have the Right Skills
  - Challenge: Working to Close the Gap Between Work Load and Capabilities – Leverage Current Contract

- **Processes:**
  - Examinations Underway: FORSCOM 30% Pass Rate
  - HQDA Distributed SOPs/Sharing Results/Capturing Lessons Learned in Initial Rounds of Testing
  - Challenge: Creating a Sense of Teamwork and Shared Commitment Among Diverse Stakeholders (ACOMs, Commanders, Staff)

Audit Readiness In Progress Review

- **Systems:**
  - Working to Integrate and Reconcile Enterprise Resource Planning (ERP) systems (GFEBS, GCSS-A)
  - GFEBS Fielding Complete; GCSS-A Fielding Continues
  - Challenge: ERPs are Immature and Flawed; This May be the Greatest Obstacle to Audit Readiness

- **Assessment:**
  - FORSCOM Postured to Meet Audit Objectives in 2014/2017
  - Will Require Command Emphasis and Deliberate Staff Coordination at All Levels

Accomplishments:

- Leadership Memo's

- Monthly Audit Readiness Boots on the Ground

- Closed Year End

In progress:

- Continuing to schedule training for AMC Commands

- Continuous Collaboration within and outside of AMC Commands

- Schedule Discovery Visits

- Complete and Publish SOP's

- Utilize/Learn GFEBS to maximum extent

  - (20% in April 12; 80% in Jul 12)

  - Functionality implementations

  - New Functionality Requirements

Next steps:

– Training

– Complete the Commander's Checklist

Challenges:

– Two Audit Readiness Efforts

– System Limitations

– Conflicting Guidance

AMC Real Property

Accomplishments:

- Quarterly taskers issued to AMC installations tracking Real Property; installations making progress

In progress:

- AMC Installations continue to validate Real Property data transferred from IFS to GFEBS.
    - Acquisition Cost Values
    - Real Property Sub-assets

Next steps:

- Continue Phase II site visits

Challenges:

- N/A

AMC Operating Materials and Supplies (Class V)

Accomplishments:

- Completed Phase I Existence and Completeness for OM&S Class V

- Completed 4th Quarter Financial Reporting Obligation

In progress:

- Continuing to support efforts of ASA FMC Phase II Existence and Completeness

- Class V Commanders' Certification of Audit Readiness

Next steps:

- Continue Phase II site visits

Challenges:

- Site visit requirements continual burden on mission execution

Accomplishments:

- AMC G-4 completed the 1st ME/GE testing for existence

- Held an Army Audit Readiness training session with all property accountability personnel

- Educated the AMC G4 subordinate command with our roles and responsibilities in meeting audit readiness goals

- Added audit readiness as topic in our Quarterly Property Accountability working group meetings

- Subordinate command G4's are now participating in the AMC monthly Boots on the Ground meetings

- Continuous partnership with IRACO and G8 counterparts

In progress:

- Conducting CSDP visits with added emphasis on audit readiness internal controls

Next steps:

- Prepare for 1 Nov 12 testing sample

Challenges:

- N/A

Accomplishments:

- OPORD for SA tasker

In progress:

- Plan for locations with no IR
- Control Champions
- Track corrective actions

Next steps:

- Retesting
- Create sampling handbook
- IRs to sample and test monthly through sustainment

Challenges:

- PR to PO to Contract/WBS; process in GFEBS
- OPTEMPO during testing/Communication
- Maturity of understanding of standards

Accomplishments:

- Developed an OPORD directing the Garrison Commanders (GC) to execute instructions for the Existence and Completeness Audit.

- GC's required to review, validate, and document 20% of their capital equipment per quarter for the next 5 quarters.

In progress:

- Garrison Commanders required to send a report that the 20% review and validation was completed along with a list of the equipment reviewed. (1st quarter report received)

Next steps:

- HQ IMCOM G4 Staff will conduct Existence and Completeness staff assistance visits to select garrisons 2nd & 3rd Qtr FY 13

Challenges:

- Transfer of all Directorate of Logistics to Army Sustainment Command impacting information flow

Training

Foundation
"Overview of Army Audit Readiness"

Army Audit Readiness Overview ✔

Army Financial Improvement Plan ✔

Readiness
"Preparing for an Audit"

Internal Controls, Testing, and Corrective Action ✔

SBR and E&C Audit Readiness
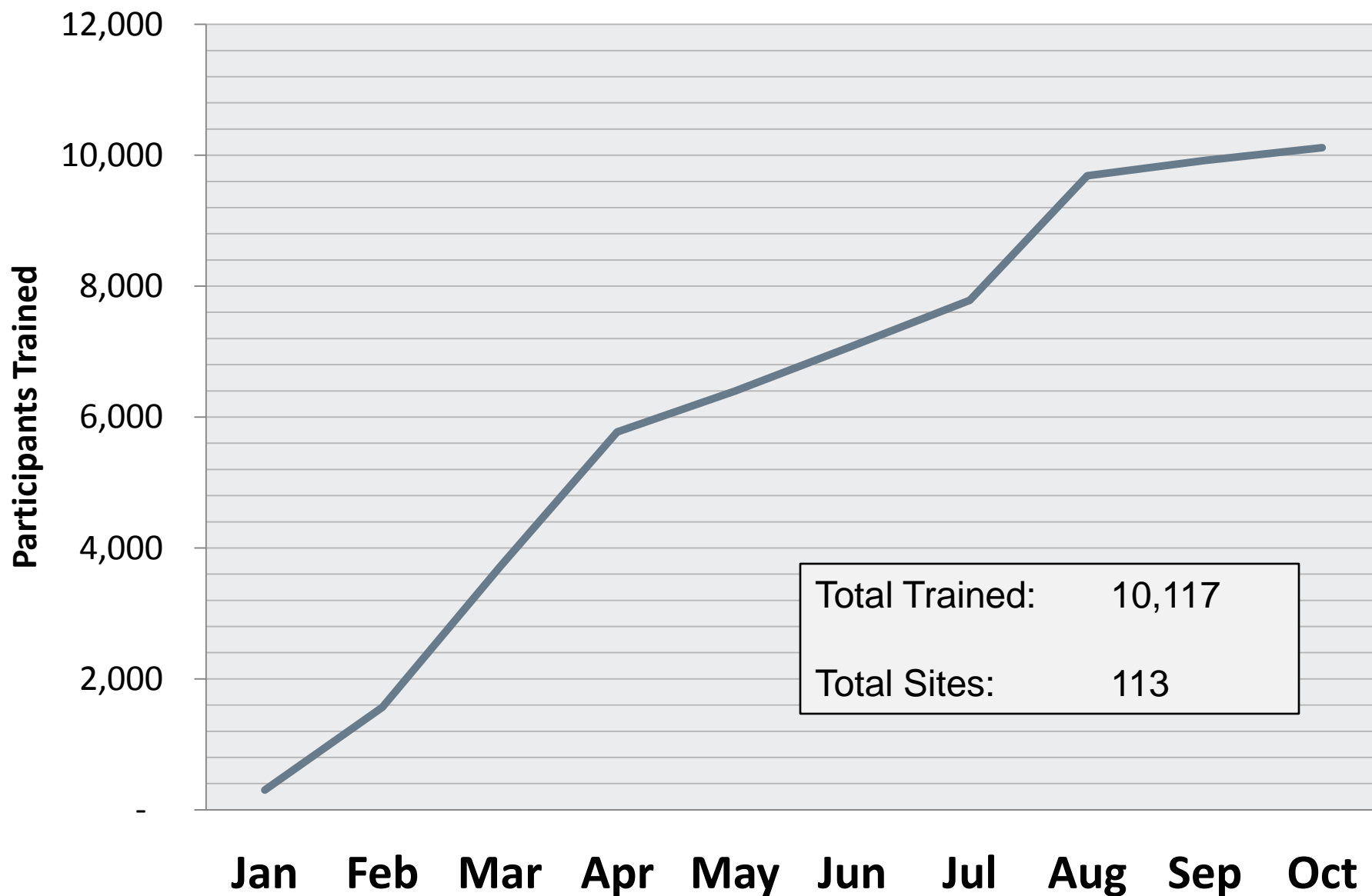"Trends, Corrective Actions, and Sustainment"

SBR Business Process Modules ✔

E&C Audit Readiness Modules ✔
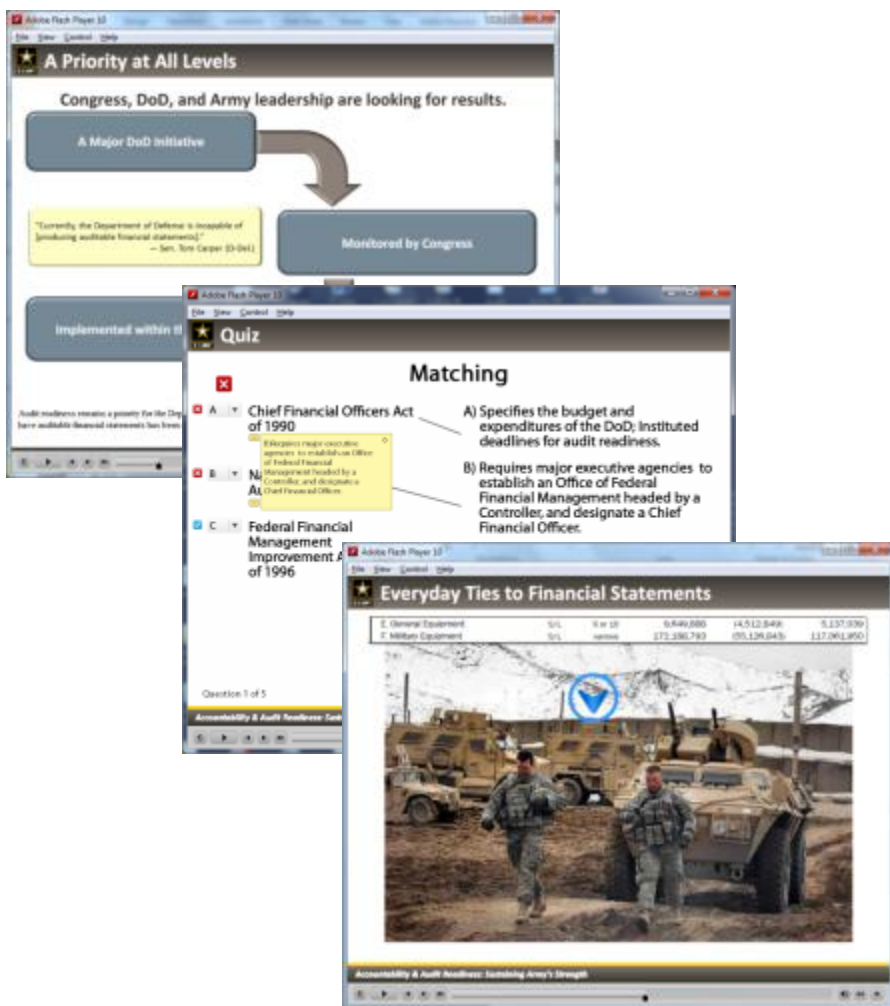
Audit Readiness training courses are available on the Army Learning Management System (ALMS).

- Currently available:
  - Army Audit Readiness
  - Army Financial Improvement Plan (FIP)
  - Internal Controls
  - Army Audit Data Repository (AADR)

Audit Readiness Training Options

- Training site visit

  (See "Site Visit Schedule" on AKO Audit Readiness page)

- Virtual
  - Defense Connect Online (DCO)
  - Video Teleconference (VTC)

- By request (via AKO)

- Local training in DC area

- Web-based training (ALMS)

Communications Update

The FIP Report

Office of the Assistant Secretary of the Army (Financial Management & Comptroller)

September 2012

Message from the New Deputy Assistant Secretary

As the new Deputy Assistant Secretary for Financial Operations, I am writing my last message for this newsletter as the Director of Audit Readiness. The December message will come from the new Acting Director of Accountability and Audit Readiness Cindy Garcia.

Cindy comes to us from DFAS with 31 years of experience in DoD finance and accounting including work in systems and operations.

In writing this message, I have the privilege of announcing three major milestones that demonstrate our momentum toward audit readiness.

First, the Army fully deployed the General Fund Enterprise Business System (GFEBS) to more than 52,000 users across all Army locations. GFEBS is one of the largest enterprise resource planning systems in the world, replacing more than 100 Army legacy systems. It brings automated processes and controls to the

In August James J. Watkins (above) became the Deputy Assistant Secretary (Financial Operations). Cindy Garcia (below) is the Acting Director, Accountability

Contents

Accountability and Audit Readiness

The Accountability and Audit Readiness Directorate oversees the Financial Improvement Plan (FIP) that guides audit readiness efforts.

We are all accountable for

- Workshop held July 10-11 in Arlington, VA.

- The Workshop had 207 attendees from across the Army (47% increase in attendance from 2011).

- The event was a success with survey results very positive about all aspects of the event.

- People satisfied with the amount of communications they receive.
- People feel their awareness and understanding is high, but it is not high in others:

Questions on Audit Readiness	Averaged Responses
Army personnel have a good awareness	3.2
I understand my role and responsibilities	1.7
I can see that others in the Army understand their roles and responsibilities	3.3
I understand the actions I need to take	1.7
I can see that others in the Army understand the actions they need to take	3.3

1 being "Highly Agree" and 5 being "Highly Disagree." The lower the average, the higher the overall level of agreement.

Highly Agree   1.7 Response   **Neutral**   3.2-3.3 Response   **Highly Disagree**

1   2   3   4   5
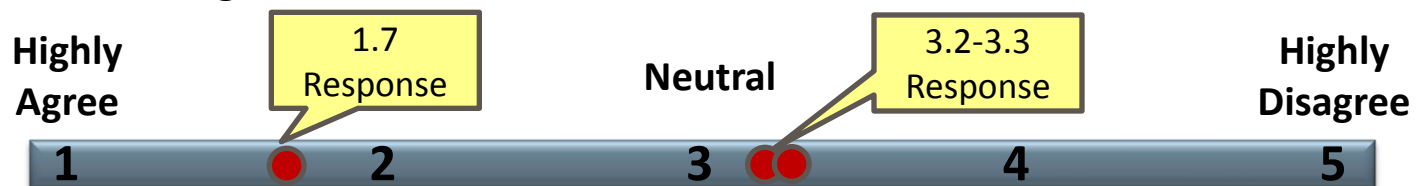
- Not enough time for Q&A or open discussion.

- Repeat the breakout sessions so people can attend both.

- Make time for Commands or groups with common interests to meet and get specifics addressed.

- Specifically address what an auditor will be looking for.

- Get bigger rooms.

Tentative: March 13-14, 2013
Location: San Antonio, TX

Open Discussion & Closing Remarks

- **Audit Committee (4th Quarter FY 2012):**

    Tentative: November 8, 2012

    Location: Pentagon

- **Army FIP In-Process Review (2nd Quarter FY 2013):**

    Date: January 24, 2013

    Location: Arlington, VA